

FINANCIAL DYNAMICS OF MAJOR INDIAN STATES

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ABSTRACT

The current study aims to measure the financial dynamics Index of the different states of India and also to make a comparative analysis of Indian States on the basis of financial indicators. The relationship between various financial indicators has also been measured. The study is purely based on the secondary data derived from the website of National planning commission of India, Reserve bank of India, government of India, newspapers, and economic survey reports of the states and official websites of each of the selected states of India. The secondary data has been collected for a period of five years from 2009-10 to 2013-14. It was found from the study that the financial performance of selected states from different regions is different which clearly shows the regional imbalance in Indian economy. GSDP and NSDP both have shown increase in terms of amount thus it show that development level of Indian states are increasing. Maharashtra has found to be top performing states among the selected states of India at financial level while west Bengal has found to be the lowest performing.

KEYWORDS: India, Economy, Performance, Financial, States, GDP, Fiscal Deficit and NSDP

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INTRODUCTION

Indian economy have shown a robust growth rate in gross domestic product during 2004 to 2008 and same level of high growth rate have also recorded in key financial indicators of Indian economy. But this continuous increasing trend in growth rate got hindered by the North Atlantic financial crisis (NAFC) in the year 2008. However, the growth of Indian economy return to normal level initially in response to large monetary and fiscal stimuli but the growth rate of Indian economy had slowed down significantly afterwards which result into a substantial widening of the current account and fiscal deficits during the period 2008-09. Inflation has also risen to an elevated level due to the crisis of 2008.

India's potential growth rate has decreased significantly due to the deterioration in rate of domestic saving and investment (Mishra, 2013, IMF, 2013). Furthermore, studies of Acharya, 2013, Tarapore, 2013, Mody and Walton, 2013, have shown indication in their research that due to large twin deficits, there is a possibility that India may face a balance of payments crisis in the upcoming years. The alarming situation arises during June-August 2013 following the mention of tapering by the US Federal Reserve from the accommodative monetary policy. The global and domestic financial markets have also shown concomitant volatility which is also an alarming situation for Indian economy. But since the second quarter of 2013-14, significant correction in the current account deficit (CAD) has taken place which leads to lesser these concerns regarding Indian economy up to some extent only. There is also a view that the high growth phase of 2004-09 was a debt-led cyclical boom which was supported by

extraordinary capital inflows in the world economy, corresponding with an outstanding growth phase in the world economy (Nagaraj, 2013). Thus the increasing trend of growth rate of economy during this period can be due to this reason also.

Government of India, Planning commission, economists, investors and even the foreign countries have a keen interest in knowing the macroeconomic performance of India. Just as the performance of a system depends upon the performance of its components similarly, the financial economic performance of a country depends upon the performance of its states. Ultimately the GDP is total of goods and services produced by the nation people who are living in different states of India. Therefore, it is essential to measure the financial performance of the state's first, in order to have a deeper understanding and analysis of financial dynamics of a country as a whole. Financial performance of a country can be improved at national level only when the financial performance at states level got improved. Thus due to the importance of studying the financial performance of Indian states, an attempt has been made through current study to measure the financial dynamics of the Indian states. It has been highlighted in the current study which states of India need to be focused for improving the overall financial performance of India.

REVIEW OF LITERATURE

In this section the studies related to various financial-economic performance indicators and their relationship with the growth of the economy has been discussed. Various researchers have measured the relation between public debt and growth of GDP. Reinhart and Rogoff (2010) in their study found that countries having more than 90 percent public debt have shown lower growth performance than other countries whose public debt percentage are less. Kumar and Woo (2010), have found in their study that higher level of public debt leads to negative growth of an economy. The research clearly shows that initially the higher ratio of public debt can lead to larger negative affect on the GDP of a country. Similarly, study of Cecchetti et al (2011) have also proved that more than 96 percent public debt ratio creates problem situation for the country. Country with high level of debt to GDP ratio needs to take quick decision to address the problem of fiscal deficit sometimes. Baum, Checherita and Rother (2013) also conducted a study which focus on the Euro Area alone, and found that public debt to GDP ratio has a non-linear effect on growth, leading to lower growth when it exceeds 95 percent. Herdon, Ash, and Pollin (2013), have shown a contrasting view and found that public debt does not affect the growth rate of an economy. RangarajanansSrivastava (2004) have stated in their study that higher ratio of fiscal deficit to GDP will lead to sharp increase in debt to GDP ratio. The researcher also found that higher fiscal deficit negatively affects the rate of saving and investment in an economy. Bernheim, (1989) have shown in their research that due to revenue deficit the savings of government will get reduce and that reduction cannot be fully offset even with the increase in private savings, thus the overall rate of savings gets reduces. Thus both the fiscal and revenue deficit will lead to decrease in rate of saving and investment which will result into low growth rate of economy. The researcher also found a positive and significant relationship between banking development and growth of economy. Financial indicators have a direct impact on the growth of the economy. Credit deposit ratio is one of the best financial indicators which show that usage of financial service by the people. Higher level of credit deposit ratio shows the higher level of usage of banking services among the citizens and thus lead high growth rate of economy (Cetin, 2015). Researchers have also conducted study to find the relation between inflation and growth of the economy. (Omoke, 2010) Researchers have argued that a high level of inflation can interrupts the smooth functioning of a market economy. Researchers have found a mix of results while conducting study to measure the relation between inflation and economic performance of a country. Some researchers have

found positive relation; some have found negative relation while some researchers have found neither positive nor negative relation between inflation and economic performance of a country. Johansen (1967) have found no relation between inflation and macroeconomic performance of a country. While De Gregorio (1993), Fischer (1993), Barro (1995, 1996), Malla (1997) and Brunno and Easterly (1995) have a found a negative correlation between inflation and economic performance. Studies of Faria and Carneiro (2001) have established a positive relation between inflation and economic performance.

From the literature review it is clear that majority of the study have performance at national level, or have made a comparison of various economies but very few studies are available where the macroeconomic performance at state level has been measured or analyzed by the researchers. Current study will be an attempt in the direction of filling this gap.

OBJECTIVES

Following are the main objectives of the study:

- To make a comparative analysis of Indian States on the basis of financial indicators.
- To measure the financial performance Index of the different states of India.
- To identify the relationship between various financial indicators.

RESEARCH METHODOLOGY

Current study is based on the secondary data derived from the website of National planning commission of India, Reserve bank of India, government of India, newspapers, and economic survey reports of the states and official websites of each of the selected states of India. The secondary data has been collected for a period of five years from 2009-10 to 2013-14. In this study whole India has been divided into six different regions such as, northern, northeastern, western, eastern, southern, and central region. From each region two states have selected for the purpose of study on the basis of their Gross state domestic product (GSDP). Two states from each region with highest amount of GSDP have been selected. The purpose behind dividing the whole India into different regions is to do an evenly study which can cover almost all the areas instead of focusing on only on major states. The sampling plan has been given in detail in the following section.

Table 1: Sampling Scheme

INDIA					
Northern Region	North-Eastern Region	Eastern Region	Central Region	Western Region	Southern Region
Haryana Punjab Himachal Pradesh Rajasthan Delhi Chandigarh Jammu & Kashmir	Assam Manipur Tripura Meghalaya Mizoram Nagaland Arunachal Pradesh	Bihar Jharkhand Odisha Sikkim West Bengal Andaman & Nicobar Islands	Chhattisgarh Madhya Pradesh Uttar Pradesh Uttarakhand	Goa Gujarat Maharashtra Daman & Diu Dadra and Nagra Haveli	Andhra Pradesh Kerala Karnataka Tamil Nadu Lakshadweep Puducherry Telangana

From the above table 1, the states which have been selected from each region on the basis of gross state domestic product are as follows:

Eastern region: Haryana and Rajasthan, North-Eastern Region: Assam and Tripura, Eastern Region: Bihar and West Bengal, Southern Region: Andhra Pradesh and Tamil Nadu, Western Region: Gujarat and Maharashtra. Thus a total of twelve states have been selected as a sample which is one third of the total Indian states which is 36. Thus our sample size is one third of our population which is a sufficient sample size which has cover almost all the major states from different regions of India.

The reason behind selection of states on the basis of GSDP is that, GSDP is the highly accepted macro-economic indicator by the economist and researchers which shows the development level of economic performance of a state. Therefore the states which are having highest amount of GSDP can be taken as a representative state of that particular region on which basis we can predict the economic performance of the whole region.

Measuring the Level of Performance of Financial-Economic Indicator

The composite index for financial-economic performance of the selected Indian states has been calculated on the basis of Wroclaw Taxonomic Method developed by Florek et al.(1952) to obtain a statistical method of determining homogenous units or types of things in an n-dimensional vectorial space. In 1967, the method of taxonomy was proposed to United Nation Educational Scientific and Cultural Organization (UNESCO) as a means of ranking and comparing countries' development by Professor Zygmunt Hellwing (1967) of the Wroclaw School of Economics. A description of this method is also presented in Frederick et al. (1970). Other example of its uses include those by Land (1975), Ewusi (1976), Arief (1982), Bhatia and Rai (2004) and Narian et al. (1991, 2003, 2009, 2012) method which has been explained in detail. For calculating the Composite index which can include any number of indicators. Let $[X_{ij}]$ be the data matrix, $i = 1, 2, \dots, n$ (Number of unit) and $j = 1, 2, \dots, k$ (number of indicators). $[X_{ij}]$ are transformed to $[Z_{ij}]$ as follows:

$$[Z_{ij}] = (X_{ij} - \bar{X}_j) / S_j$$

\bar{X}_j = mean of the jth indicator, S_j = standard deviation of the jth indicator and $[Z_{ij}]$ is the matrix of standardized indicators. From $[Z_{ij}]$, identify the best value of each indicator, maximum value or minimum value depending upon the direction of the impact of indicator on the development.

$$P_{ij} = (Z_{ij} - Z_{oj})^2 \text{ and } (C_i) = \left[\sum_{j=1}^k P_{ij} / (C.V.)_j \right]^{1/2}$$

Where P_{ij} = pattern of development, Z_{oj} = Best value for indicator, and $(C.V.)_j$ is the coefficient of variation of the jth indicator in X_{ij} .

$$D_i \text{ (Composite Index)} = C_i / C$$

$$\text{Where } C = (\text{Mean Value of } C_i + 3 * (\text{Standard deviation of } C_i))$$

Following section explains the economic-financial indicators used in the study along with formula to calculate each of the indicator:

- **Growth Rate of GSDP**

GSDP can be defined as an aggregate of all goods and services produced within the boundaries of the State during a given period of time, accounted without duplication.

$$\text{Growth Rate of GSDP} = \frac{\text{GSDP Current Year} - \text{GSDP Previous Year}}{\text{GSDP Previous Year}} * 100$$

- **Growth Rate of NSDP**

NSDP can be defined as an aggregate of all goods and services produced within the boundaries of the State during a given period of time after deducting the wear and tear or depreciation, accounted without duplication.

$$\text{Growth Rate of NSDP} = \frac{\text{NSDP Current Year} - \text{NSDP Previous Year}}{\text{NSDP Previous Year}} * 100$$

- **Growth Rate of Per Capita NSDP**

Per capita NSDP is calculated by dividing the Total value of NSDP by the total population of that state.

Growth rate of Per Capita NSDP :

$$((\text{Per Capita NSDP current year} - \text{Per capita NSDP previous Year}) / \text{Per capita NSDP of previous year}) * 100$$

- **Fiscal Deficit to GSDP Ratio**

Fiscal deficit can be defined as the difference between the state government's expenditures and its revenues (excluding the money state government has borrowed).

$$\text{Fiscal deficit to GSDP} = (\text{Fiscal deficit} / \text{GSDP}) * 100$$

- **Revenue Deficit to GSDP Ratio**

Revenue deficit occurs when the net amount received (revenues less expenditures) falls short of the projected net amount to be received. This occurs when the actual amount of revenue received and/or the actual amount of expenditures do not correspond with predicted revenue and expenditure figures.

$$\text{Revenue deficit to GSDP} = (\text{Revenue deficit} / \text{GSDP}) * 100$$

- **Public Debt to GSDP Ratio**

Government debt (also known as public debt, national debt and sovereign debt) is the debt owed by a central government. Here, we are using the public debt as the state government's debt.

$$\text{Public Debt to GSDP ratio} = (\text{Public Debt} / \text{GSDP}) * 100$$

- **Total Revenue to GSDP Ratio**

Total revenue as per fiscal policy refers to the both tax revenue and non-tax revenue of a state government in a fiscal year.

$$\text{Total revenue to GSDP ratio} = (\text{Total Revenue} / \text{GSDP}) * 100$$

- **Credit Deposit Ratio**

Credit deposit ratio of a state can be defined as the ratio of total amount of credit disbursed by the all scheduled commercial banks in the state and total amount of deposit by the population of that state with the bank in the form of

current account, saving account and fixed deposit account.

Credit Deposit Ratio = (Total Credit amount / Total Depsoit amount) * 100

- **Consumer Price Index**

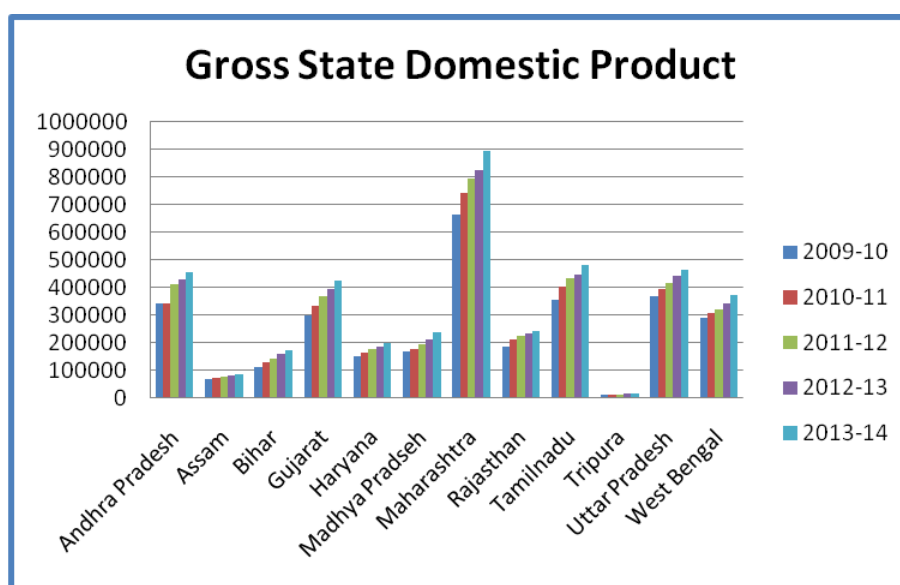
A measure that examines the weighted average of prices of a basket of consumergoods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. The consumer price index (CPI) is a statistical estimate of the change in prices of goods and services bought for consumption.

DATA ANALYSIS

This section deals with the analysis of data related to comparative analysis of selected Indian states on the basis of financial-economic indicators, calculating composite index for macro-economic performance of states and relationship between the macroeconomic indicators.

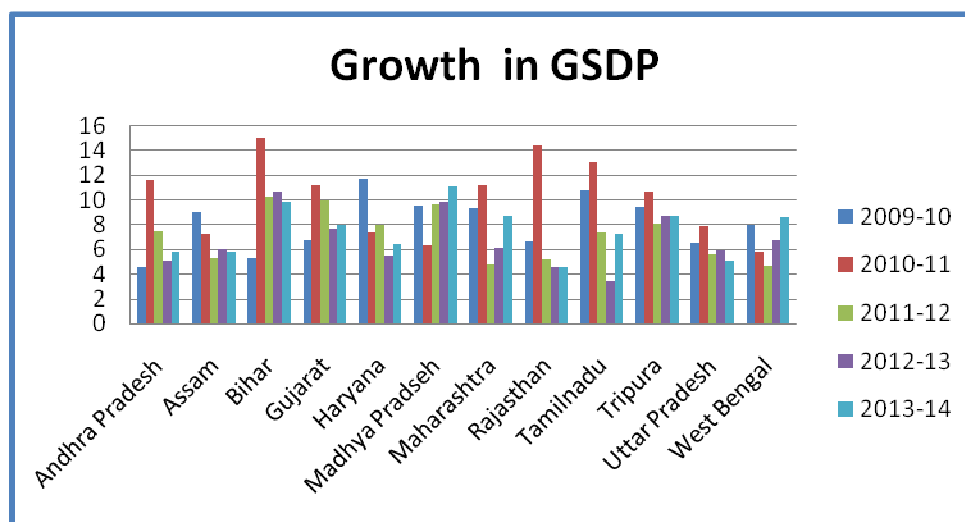
Comparative Analysis of Financial Economic Performance of Indian States

The following section explains the comparative analysis of the financial economic performance of the selected Indian states for last five years.



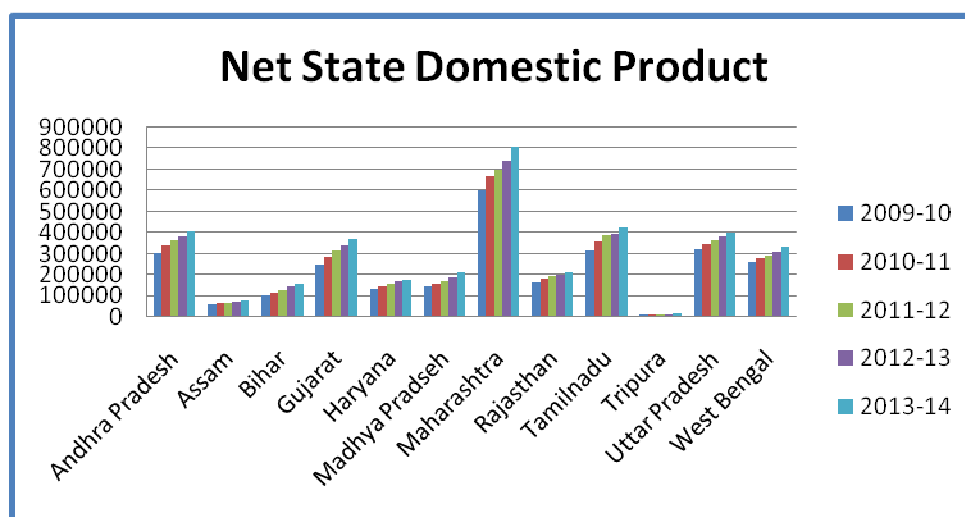
Graph 1: Gross State Domestic Product

Interpretation: It can be interpreted from the graph 1 that as per the amount of GSDP, Maharashtra is leading state in comparison to other states, followed by Tamil Nadu, Gujarat and Uttar Pradesh respectively. Tripura state is having lowest amount of GSDP in comparison to other states. While overall the trend in amount of GSDP for all the states have shown an increasing trend from last five years.



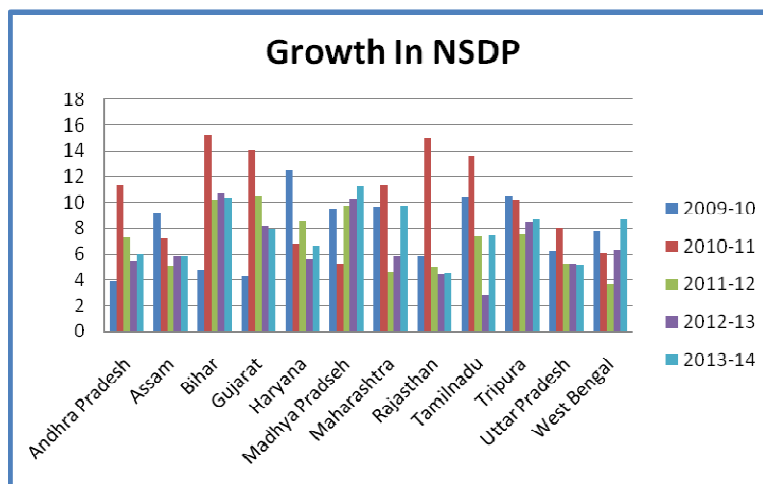
Graph 2: Growth in GSDP

Interpretation: It can be interpreted from the graph 2 that growth rate of GSDP has seen up and down during last five years for all the twelve selected states in the study. In the year 2009-10, the highest growth rate in GSDP was of Haryana state while lowest growth rate in GSDP was of Andhra Pradesh. In the year 2010-11, the highest growth rate in GSDP was of Bihar state while lowest growth rate in GSDP was of West Bengal. In the year 2011-12, the highest growth rate in GSDP was of Bihar state while lowest growth rate in GSDP was of West Bengal. In the year 2012-13, the highest growth rate in GSDP was of Bihar state while lowest growth rate in GSDP was of Tamil Nadu. In the year 2013-14, the highest growth rate in GSDP was of Madhya Pradesh state while lowest growth rate in GSDP was of Andhra Rajasthan. Thus overall neither of the state has shown a consistent increase or decrease in growth rate in GSDP during last five years.



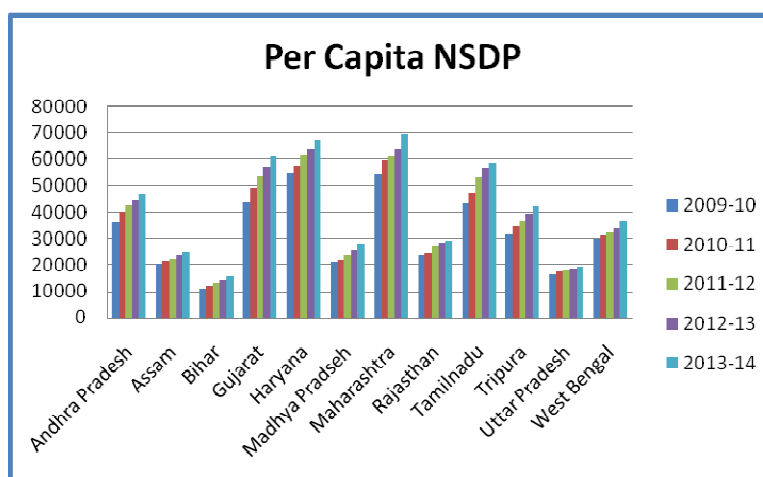
Graph 3: Net State Domestic Product

Interpretation: It can be interpreted from the graph 3 that as per the amount of NSDP, Maharashtra is leading state in comparison to other states, followed by Tamil Nadu, Andhra Pradesh and Uttar Pradesh respectively. Assam and Tripura state is having lowest amount of NSDP in comparison to other states. While overall the trend in amount of NSDP for all the states have shown an increasing trend from last five years.



Graph 4: Growth in NSDP

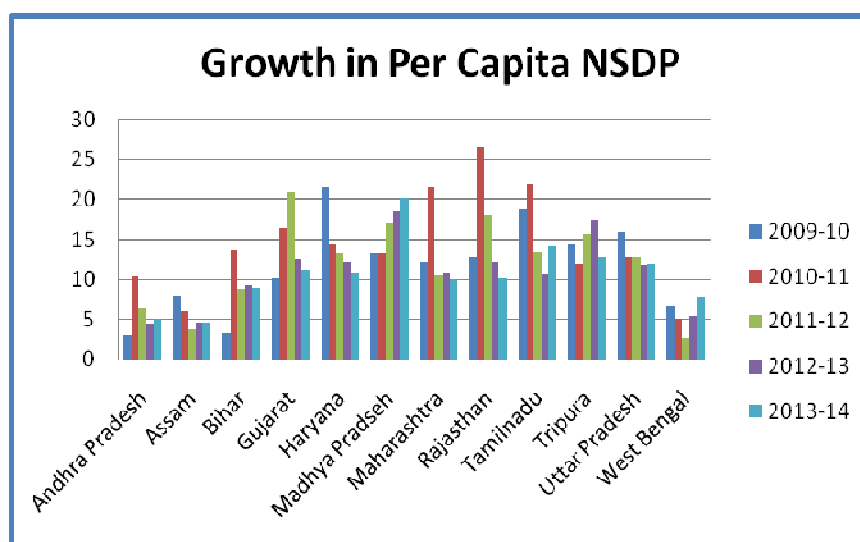
Interpretation: It can be interpreted from the graph 4 that growth rate of NSDP has seen increase and decrease during last five years for all the twelve selected states in the study. In the year 2009-10, the highest growth rate in NSDP was of Haryana state while lowest growth rate in NSDP was of Andhra Pradesh. In the year 2010-11, the highest growth rate in NSDP was of Bihar state while lowest growth rate in NSDP was of Madhya Pradesh. In the year 2011-12, the highest growth rate in NSDP was of Gujarat state while lowest growth rate in NSDP was of West Bengal. In the year 2012-13, the highest growth rate in NSDP was of Bihar state while lowest growth rate in NSDP was of Tamil Nadu. In the year 2013-14, the highest growth rate in NSDP was of Madhya Pradesh state while lowest growth rate in NSDP was of Tamil Nadu. Thus overall neither of the state has shown a consistent increase or decrease in growth rate in NSDP during last five years. While tremendous increase can be seen in the growth rate of Madhya Pradesh, in the year 2010-11, it was having lowest growth rate in NSDP while in 2013-14, it was having highest growth rate in NSDP. From last four years the growth rate of NSDP of Madhya Pradesh has shown an increasing trend. Tamil Nadu has shown a major decrease in the growth rate of NSDP from 2009-10 to 2013-14.



Graph 5: Per Capita NSDP

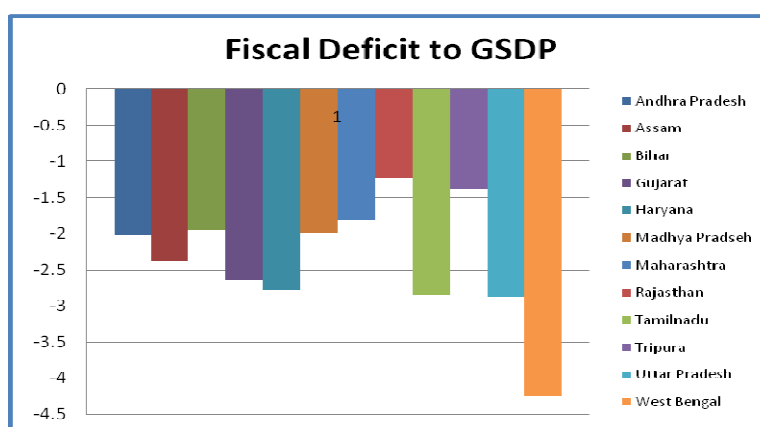
Interpretation: It can be interpreted from the graph 5 that as per the amount of per capita NSDP, Maharashtra is leading state in comparison to other states, followed by Haryana, Gujarat and Tamil Nadu respectively. Bihar and Tripura state is having lowest amount of per capita NSDP in comparison to other states. While overall the trend in amount of per

capita NSDP for all the states have shown an increasing trend from last five years.



Graph 6: Growth in Per Capita NSDP

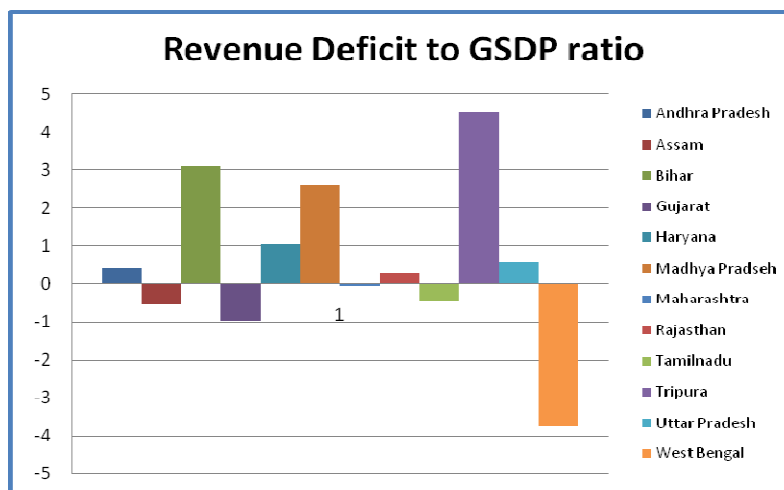
Interpretation: It can be interpreted from the graph 6 that growth rate of PER CAPITA NSDP has seen increase and decrease during last five years for all the twelve selected states in the study. In the year 2009-10, the highest growth rate in PER CAPITA NSDP was of Haryana state while lowest growth rate in PER CAPITA NSDP was of Andhra Pradesh. In the year 2010-11, the highest growth rate in PER CAPITA NSDP was of Rajasthan state while lowest growth rate in PER CAPITA NSDP was of West Bengal. In the year 2011-12, the highest growth rate in PER CAPITA NSDP was of Gujarat state while lowest growth rate in PER CAPITA NSDP was of West Bengal. In the year 2012-13, the highest growth rate in PER CAPITA NSDP was of Madhya Pradesh state while lowest growth rate in GSDP was of Andhra Pradesh. In the year 2013-14, the highest growth rate in PER CAPITA NSDP was of Tamil Nadu state while lowest growth rate in PER CAPITA NSDP was of Assam. Thus overall neither of the state has shown a consistent increase or decrease in growth rate in PER CAPITA NSDP during last five years. While tremendous decrease can be seen in the growth rate of Haryana during last five years. The growth rate of per capita NSDP of Haryana has decreased from 22 percent to 11 percent.



Graph 7: Fiscal Deficit to GSDP

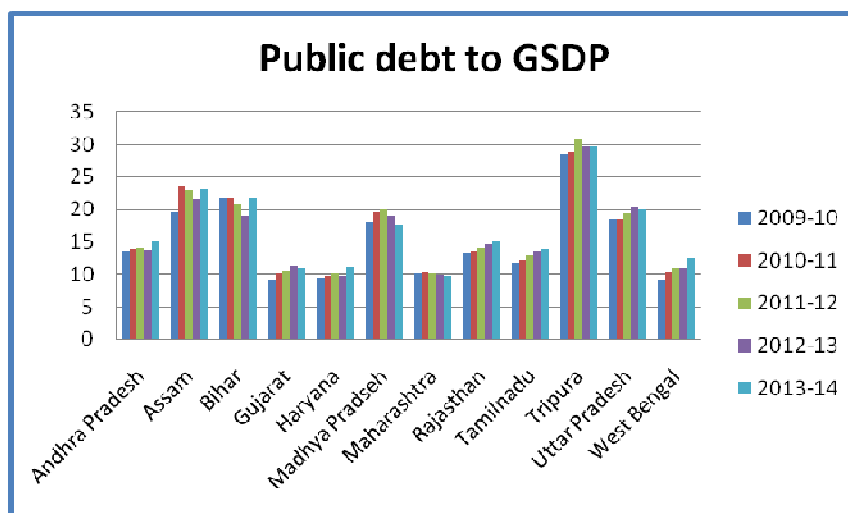
Interpretation: It can be interpreted from the graph 7 that as per the Fiscal deficit to GSDP ratio, West Bengal is leading state in comparison to other states, followed by Maharashtra, Tamil Nadu and Haryana respectively. Rajasthan and

Tripura states are having lowest Fiscal deficit to GSDP ratio in comparison to other states. Fiscal deficit to GSDP ratio shows the excess of government expenditure over its income for a particular fiscal year. The states which are having lowest Fiscal deficit to GSDP ratio are tend to generate more revenue and therefore lead to high amount of GSDP also.



Graph 8: Revenue Deficit to GSDP

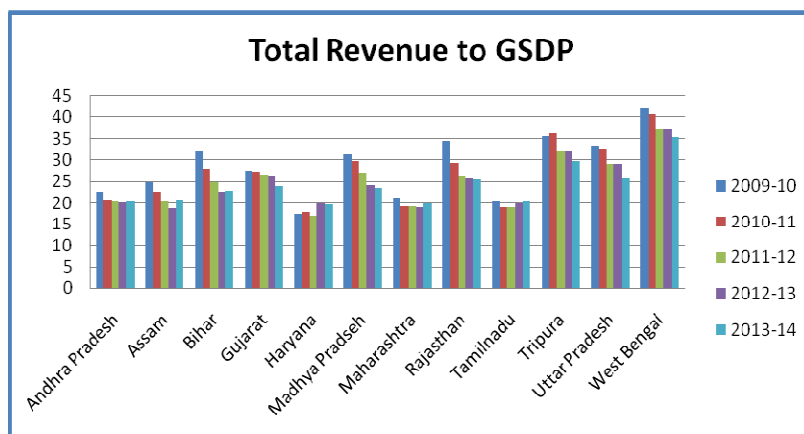
Interpretation: It can be interpreted from the graph 7 that as per the Revenue deficit to GSDP ratio, West Bengal is leading state in comparison to other states, followed by Gujarat, Assam and Tamil Nadu respectively. Bihar and Tripura states are having Revenue Surplus to GSDP ratio in comparison to other states. Revenue deficit to GSDP ratio shows the excess of government revenue expenditure over its revenue income for a particular fiscal year. The states which are having positive Revenue deficit (revenue surplus) to GSDP ratio are tend to generate more revenue income and therefore lead to high amount of GSDP also.



Graph 9: Public Debt to GSDP

Interpretation: It can be interpreted from the graph 9 that as per the ratio of Public debt to GSDP, Tripura is leading state in comparison to other states, followed by Assam, Bihar and Uttar Pradesh respectively. Maharashtra and Haryana state is having lowest Public debt to GSDP ratio in comparison to other states. While overall the trend in ratio of Public debt to GSDP for all the states have shown an increasing trend from last five years. Maharashtra state is showing decreasing trend in the ratio of Public debt to GSDP from last three years while all other states have shown increasing trend

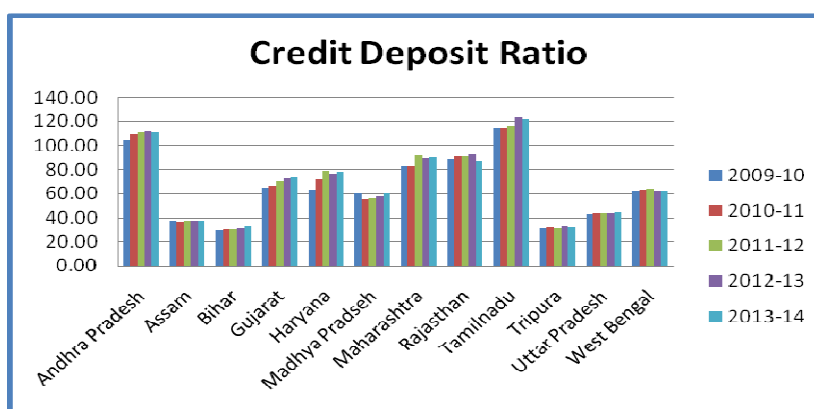
in the ratio of Public debt to GSDP.



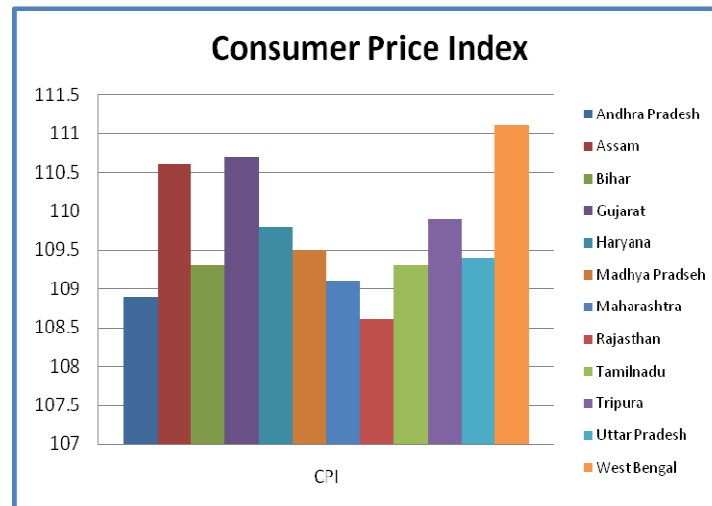
Graph 10: Total Revenue to GSDP

Interpretation: It can be interpreted from the graph 10 that as per the ratio of Total Revenue to GSDP, West Bengal is leading state in comparison to other states, followed by Tripura, Uttar Pradesh and Rajasthan respectively. Haryana and Maharashtra states are having lowest Total Revenue to GSDP ratio in comparison to other states. While overall the trend in ratio of Total Revenue to GSDP for most of the states has shown a decreasing trend from last five years. West Bengal and Madhya Pradesh states are showing continuous decreasing trend in the ratio of Total Revenue to GSDP from last five years while Haryana state have shown increasing trend in the ratio of Total Revenue to GSDP from last two years.

Interpretation: It can be interpreted from the graph 11 that as per the Credit to Deposit ratio, Tamil Nadu is leading state in comparison to other states, followed by Andhra Pradesh, Maharashtra and Rajasthan respectively. Bihar and Tripura states are having lowest Credit to Deposit ratio in comparison to other states. While overall the trend in Credit to Deposit ratio for all of the states has shown an increasing and decreasing trend from last five years. Increasing trend in credit to deposit ratio shows the efficiency of the banking sector in that particular state. Credit deposit ratio shows the usage of public deposits for the purpose of lending by the banks which is the main activity of the banks. Higher credit deposit ratio in the particular state shows the increased usage of financial services by the banks through loans.



Graph 11: Credit to Deposit Ratio



Graph 12: Consumer Price Index

Interpretation: It can be interpreted from the graph 12 that as per the Consumer price index, West Bengal is leading state in comparison to other states, followed by Gujarat, Assam and Tripura respectively. Rajasthan and Andhra Pradesh states are having lowest Consumer price index in comparison to other states. Consumer price index is taken as a proxy variable to show the rate of inflation in the economy. Highest value of Consumer price index shows the higher value of inflation in that particular state.

FINANCIAL-ECONOMIC PERFORMANCE INDEX

This section deals with the financial economic performance index for the sample states taken in the current study using on the basis of Wroclaw Taxonomic Method developed by Florek et al.(1952) to obtain a statistical method for developing composite index. Wroclaw Taxonomic method to calculate the composite index is very popular method and vastly used method by the researcher to measure the socio economic index especially, but here in the current study we have used this method for measuring the composite index of financial economic performance index of the Indian states. The indicators which have been used to develop this financial-economic performance index of the Indian states are namely, growth rate of GSDP, growth rate of NSDP, growth rate of per capita NSDP, fiscal deficit to GSDP ratio, revenue deficit to GSDP ratio, public debt to GSDP ratio, total revenue to GSDP ratio, credit deposit ratio and consumer price index of the states.

Table 2: Financial-Economic Performance Index for the Year 2013-14

State	Financial-Economic Performance Index (2013-14)	Rank
Andhra Pradesh	0.227517	3
Assam	0.661642	10
Bihar	0.269452	5
Gujarat	0.664195	11
Haryana	0.405798	8
Madhya Pradesh	0.300241	6
Maharashtra	0.21243	1
Rajasthan	0.203525	2
Tamil Nadu	0.263821	4
Tripura	0.435349	9
Uttar Pradesh	0.319816	7
West Bengal	0.788572	12

Interpretation

Higher value of financial-economic performance index shows the low level of financial-economic performance of the corresponding state while lowest value of financial-economic index shows the high level of financial-economic performance of that particular state. It can be interpreted from the table 2 that Maharashtra state is leading in financial-economic performance Index followed by Rajasthan, Andhra Pradesh and Tamil Nadu respectively. Out of twelve major states from six different regions of India, West Bengal is having lowest financial-economic performance index value. This shows that financial-economic development is high in Maharashtra and lowest in West Bengal, which is also an indication of Imbalance regional growth in India.

Relationship between Financial-Economic Performance Indicators

Table 3: Correlation Matrix

	Growth in GSDP	Growth in NSDP	Growth in per capita NSDP	Fiscal deficit as % of GSDP	Revenue Deficit as % of GSDP	Public Debt as % of GSDP	Total Revenue as percent of GSDP	C/D Ratio	CPI
Growth in GSDP	1.000								
Growth in NSDP	0.992**	1.000							
Growth in per capita NSDP	0.499	0.469	1.000						
Fiscal deficit as % of GSDP	0.192	0.227	-0.052	1.000					
Revenue Deficit as % of GSDP	-0.063	-0.095	-0.210	-0.142	1.000				
Public Debt as % of GSDP	0.085	0.031	0.021	0.113	0.761**	1.000			
Total Revenue as percent of GSDP	0.170	0.109	0.020	0.179	0.107	0.235	1.000		
C/D Ratio	-0.272	-0.227	0.013	0.019	-0.590*	-0.715**	-0.405	1.000	
CPI	0.215	0.157	-0.174	-0.080	0.187	0.032	0.470	-0.409	1

**Significant at 1 percent level of Confidence and *significant at 5 percent level of confidence.

Interpretation: In order to measure the relationship between various financial-economic indicators used in the current study, correlation analysis has been used. The results of correlation analysis have been given in table 3. It can be interpreted from the table 3 that growth rate of NSDP and growth rate of GSDP are positively and significantly related to each other. Thus it is clear that if the GSDP of a state gets increase NSDP will also get increase. Public debt to GSDP ratio and Revenue Deficit to GSDP ratio have been found positively and significantly related to each other, while Revenue Deficit to GSDP ratio has been found negatively and significantly related to be credit deposit ratio. Credit deposit ratio have also found to be negatively and significantly related to the public debt to GSDP ratio.

CONCLUSIONS

It can be concluded from the current study that the financial-economic performance of selected states from different regions are different which clearly shows the regional imbalance in Indian economy. GSDP and NSDP both have shown increase in terms of amount thus it show that development level of Indian states are increasing. Maharashtra has found to be top performing states among the selected states of India at financial-economic level while west Bengal has found to be the lowest performing state of India at financial-economic level. Therefore government need to focus on this state and should also work for making a balanced growth of all the regions of India. Current study is relevant for the policy makers, central bank, government of India and the economist who have a keen interest in knowing the financial- economic performance of the different states of India in order to make prediction about the Indian economy, to frame different

policies for the different states as per their level of development and also to strengthen the states which are economically weaker than other states.

LIMITATIONS AND FUTURE SCOPE OF THE STUDY

The current study is limited only to the twelve states of India which can be increased and number of financial-economic performance indicators can also be increased in future studies. The study can also be conducted to make a comparative analysis of financial-economic performance of different regions of India such as, northern, western and southern to know which region need to be focused by the government.

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